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## PCAOB Adopts Rules to Require Public Disclosure of Engagement Partners and Audit Participants

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Culminating a process begun in 2009, and that encompassed a concept release and three separate rule proposals, the Public Company Accounting Oversight Board has adopted [new auditor transparency rules](#). The rules will require auditors to identify the partner responsible for each audit of a public company, as well as other accounting firms who provided services in connection with the audit. (For more about the prior proposals, see posts from [July 15, 2015](#) and [December 10, 2013](#).)

The final rules, which were adopted at an open meeting on December 15, require audit firms to disclose the following information on a new PCAOB Form AP for each public company audit report:

- the name of the engagement partner;
- the name, location and extent of participation of each other accounting firm participating in the audit whose work constituted at least 5% of total audit hours; and
- the number and aggregate extent of participation of all other accounting firms participating in the audit whose individual participation was less than 5% of total audit hours.

The PCAOB also modified certain auditing standards to permit auditors to voluntarily identify the engagement partner and other participating accounting firms in their audit reports.

The Form AP will be due 35 days after the filing of the audit report with the SEC, except in the case of IPO companies, in which case the Form AP will be due 10 days after the audit report is first included in a document filed with the SEC. The disclosure requirement will apply to audits of emerging growth companies. Information disclosed on Form AP will be publicly available via a searchable database accessible from the PCAOB website.

The new auditor transparency rules are subject to SEC approval. The disclosure requirement for engagement partners will take effect for audit reports issued on or after January 31, 2017, or three months after SEC approval, if later. Thus, engagement partners will likely be disclosed for most audits of 2016 financial statements of calendar-year companies. Information regarding other accounting firm participants in the audit will be required to be filed for audit reports issued on or after June 30, 2017. The PCAOB staff plans to publish guidance regarding compliance with the new Form AP reporting requirements following SEC approval of the rules.

The PCAOB's action caps a long and controversial process that commenced with a recommendation in 2008 by the US Department of the Treasury's Advisory Committee on the Auditing Profession that engagement partners personally sign the audit report, but ultimately ended with a more limited disclosure requirement. While all members of the PCAOB supported the final rule, [PCAOB Member Steven Harris](#) made clear that he would have preferred a mandatory signature rule because it would contribute to engagement partner accountability. The Board, however, stated that it adopted the Form AP approach "primarily [as] a response to concerns raised by some commenters about potential liability and practical concerns about the potential need to obtain consents for identified parties in connection with registered securities offerings."

The new PCAOB rules are not likely to have much direct impact on companies and their audit committees, as the disclosures are the auditor's responsibility. However, the rules may provide some impetus for an audit committee to consider the qualifications and experience of the engagement partner assigned to the company's audit and to understand the role that other accounting firms, besides the principal auditor that delivers the audit report, play in the audit.

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